

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Mission Fulfillment Committee
May 10, 2018

A meeting of the Mission Fulfillment Committee of the Board of Regents was held on Thursday, May 10, 2018, at 7:45 a.m. in the Boardroom, 600 McNamara Alumni Center.

Regents present: Abdul Omari, presiding; Thomas Anderson, Richard Beeson, Linda Cohen, Michael Hsu, Dean Johnson, Peggy Lucas, David McMillan, Ken Powell, Darrin Rosha, and Steve Sviggum.

Staff present: President Eric Kaler; Chancellors Michelle Behr, Lendley Black, Lori Carrell, and Mary Holz-Clause; Executive Vice President and Provost Karen Hanson; Senior Vice President Brian Burnett; Vice Presidents Bernard Gulachek, Matt Kramer, and Allen Levine; Interim Vice Presidents Michael Goh and Jakub Tolar; General Counsel Douglas Peterson; Executive Director Brian Steeves; and Associate Vice President Meredith McQuaid.

Student Representatives present: Apoorva Malarvannan.

STUDENT HEALTH AND WELLNESS PROGRAMS

Regent Omari invited Provost Hanson; Gary Christenson, Chief Medical Officer, Boynton Health; and Sandra Olson-Loy, Vice Chancellor for Student Affairs, UMM, to discuss student health and wellness programs across the system, as detailed in the docket.

Hanson introduced the item, reporting that student mental health is an urgent concern in higher education across the country and a high priority at the University. She explained that each campus offers unique programming to fit student needs in addition to systemwide efforts to address health and wellness, including student mental health.

Olson-Loy provided an overview of health and wellness programs across the system and summarized the most recent data from the College Student Health Survey, which is administered on all five campuses. Christenson addressed trends and demands for mental health services and highlighted new initiatives and investments in student mental health.

Hanson introduced additional presenters to participate in the discussion:

- x Lisa Erwin, Vice Chancellor for Student Life and Dean of Students, Duluth campus
- x Barbara Keinath Vice Chancellor of Academic and Student Affairs, Crookston campus
- x Julie Thornton, Director of Student Engagement Team, Rochester campus
- x Maggie Towle, Interim Vice Provost for Student Affairs and Dean of Students, Twin Cities campus

Regent Hsu inquired about the frequency of the College Student Health Survey, noting that the most recent data cited is several years old. Christenson explained that the survey is administered every three years because year-over-year data does not indicate trends as well as data from every three years. Omari added that surveying every three years also prevents survey fatigue. Towle reported that the survey is currently being administered, with its data available in the fall.

In response to questions and comments from Regents Anderson and Powell, Christenson confirmed that not all stress is bad, but college students often find that they need to employ new stress management mechanisms to deal with new and different stressors. He added that preventative measures generally have the best return on investment in addressing stress.

Regent Cohen emphasized the importance of the conversation, noting that great progress has been made. She urged presenters to continue to look at ways to address the issue that will not require additional funding.

In response to questions from Regent Lucas, Olson-Loy stated that the University is continuing to look at national models for examples for student health and wellness programming.

Regent Sviggum asked how the University measures the quality of student health and wellness programs. Christenson reported that Boynton Health employs a patient satisfaction survey after each visit in order to measure the quality of their services.

ANNUAL PROMOTION AND TENURE RECOMMENDATIONS

Regent Omari invited Executive Vice President and Provost Hanson and Rebecca Ropers-Huilman, Vice Provost for Faculty & Academic Affairs, to present the annual recommendations for promotion and tenure, as detailed in the docket.

Hanson reviewed the basic principles of tenure and promotion and the review process. She also explained the differences between regular faculty and contract faculty. Ropers-Huilman noted that 132 regular faculty were recommended for tenure and/or promotion, and 48 contract faculty recommended for promotion. This year's cohort had a success rate of 57 percent.

In response to questions from Regents Powell and Anderson, Hanson explained that faculty hiring decisions are made at the college level either with the relevant dean on the Twin Cities campus and the chancellor at the system campuses. Faculty positions are posted as tenure-track or non-tenure-track.

Regent Hsu inquired how the long-term financial implications of faculty tenure are considered in the process. Hanson explained that costs are considered at the department level and discussed with the deans, the Provost's Office, and budget officers. She added that some

In response to questions from Regent Cohen, Ropers-Huilman reiterated that the tenure success rate for the current cohort of faculty is 57 percent. She explained that the remainder were not denied tenure, but rather, that group includes faculty who left the University before achieving tenure status.

Powell inquired about the external review element of the tenure process. Ropers-Huilman noted that it is the most valuable content in the candidate's dossier. She added that external reviewers are commonly from prestigious universities in the United States and internationally. Hanson added that the dossier includes an explanation of why the reviewer was selected.

Omari mentioned that the University's institutional risk profile includes faculty retention and asked how the University is working to attract and retain faculty of color. Hanson explained that the current profile of faculty is typical, although they desire a more diverse pool. Kaler added that the University continues to struggle to attract and retain African American and Latinx faculty especially.

Regent Rosha remarked on this being a momentous occasion for the 132 faculty members. In response to a question from Rosha, Ropers-Huilman explained that the ratio of faculty to instructors varies by department and college. Hanson added that the College of Design relies more heavily on instructors than departments that engage in more research.

Motions were made and seconded, and the committee voted unanimously to recommend approval of the promotion and tenure recommendations of regular faculty, and the promotion recommendations of contract faculty.

Hanson introduced four newly tenured and/or promoted faculty members, who briefly shared highlights of their work:

- x Daheia Barr-Anderson, Department of Kinesiology, College of Education and Human Development, UMTC
- x Gordon Burtch, Division of Information and Decision Sciences, Carlson School of Management, UMTC
- x Michael Gallope, Department of Cultural Studies and Comparative Literature, College of Liberal Arts, UMTC
- x Changbin Chen, Department of Horticultural Science, College of Food, Agricultural and Natural Resource Sciences, UMTC

ANNUAL CONTINUOUS APPOINTMENT RECOMMENDATIONS

Regent Omari invited Executive Vice President and Provost Hanson and Rebecca Ropers-Huilman, Vice Provost for Faculty

BOARD OF REGENTS POLICY:
EQUITY, DIVERSITY, EQUAL OPPORTUNITY, AND AFFIRMATIVE ACTION

Regent Omari invited Tina Marisam, EOAA Director or and Title IX Coordinator, to present for review proposed amendments to Board of Regents Policy:

- x Medical School (Twin Cities campus)—Create fellowship in Neuromodulation Medicine
 - x College of Liberal Arts (Twin Cities campus)—Create undergraduate certificate in Career Readiness
 - x College of Liberal Arts (Twin Cities campus)—Create graduate minor in American Indian and Indigenous Studies
 - x College of Liberal Arts (Twin Cities campus)—Create undergraduate minor in Population Studies
 - x College of Science and Engineering (Twin Cities campus)—Create graduate minor in Data Science
 - x School of Public Health (Twin Cities campus)—Create graduate minor in Global Public Health and deliver online
 - x Swenson College of Science and Engineering (Duluth campus)—Create Applied Materials Science M.S. degree
 - x College of Education and Human Service Professions (Duluth campus)—Create a Bachelor of Individualized Studies degree
 - x College of Education and Human Service Professions (Duluth campus)—Create a B.A.Sc. degree in Early Childhood Studies
 - x College of Liberal Arts (Duluth campus)—Create B.A. degree and undergraduate minor in Environment, Sustainability, and Geography
 - x Swenson College of Science and Engineering (Duluth campus)—Create undergraduate certificate in Resilient Precast Concrete
 - x The Crookston Campus—Create undergraduate minor in Health Management and deliver online
 - x The Crookston Campus—Create undergraduate minor in Writing and deliver online
- x Request for Approval of Changed Academic Programs
- x School of Public Health (Twin Cities campus)—Deliver the Global Health Postbaccalaureate certificate online
 - x College of Biological Sciences (Twin Cities campus)— Create a sub-plan in Biology and Biology Education within the Ph.D. degree in Molecular, Cellular, Developmental Biology and Genetics
 - x College of Food, Agricultural, and Natural Resource Sciences (Twin Cities campus)— Create sub-plans in Agroecology, Agronomy Production, Horticultural Production, Nursery & Floriculture, Plant Breeding, Sustainable Plant Health, and Turfgrass Science within the B.S. degree in Plant Science
 - x College of Liberal Arts (Twin Cities campus)—Create sub-plans in Environmental Geography, and Geographic Information Science within the B.S. degree in Geography
 - x College of Liberal Arts (Twin Cities campus)—Change the name of the B.A. degree in Physiology to Human Physiology
 - x College of Education and Human Service Professions (Duluth campus)—Change the name of the B.A.Sc. and undergraduate minor in Public Health Education and Promotion to Public Health, and change the name of the Community Health sub-plan to Community Health Education/Promotion
 - x College of Education and Human Development (Twin Cities campus)—Discontinue the Adult Basic Education sub-plan in the Adult Education M.Ed. degree.
 - x College of Liberal Arts and Humphrey School of Public Affairs (Twin Cities campus)— Discontinue the Political Engagement sub-plan in the Political Science B.A. and Master of Public Policy degrees.
- x Request for Approval of Discontinued Academic Programs
- x School of Dentistry (Twin Cities campus)—Discontinue Dental Therapy M.D.T. degree

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Audit & Compliance Committee
May 10, 2018

A meeting of the Audit & Compliance Committee of the Board of Regents was held on Thursday, May 10, 2018 at 11:00 a.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: Linda Cohen, presiding; Michael Hsu, Peggy Lucas, David McMillan, Abdul Omari and Ken Powell.

RELATIONSHIP AND SERVICES PROVIDED

Regent Cohen invited Sue Paulson, Assistant Controller, to present the external auditor review and summary of external auditor relationships and services provided, as detailed in the docket.

Paulson reported that total Deloitte & Touche LLP (Deloitte) contracted audit and non-audit fees were

\$597,800 for FY 2017 engagements, with actual fees of \$577,095. All FY 2017 engagements are completed and have been final billed.

Paulson reviewed the total fees for audit and non-audit services provided by other firms. For FY 2017, the University engaged three firms totaling \$672,176. She reminded the committee that all services were reviewed by the Controller's Office and reported to the committee.

In response to a question from Regent Powell, Klatt explained that Baker Tilly was engaged by the University to investigate an anonymous UReport. She added that the firm was selected based on its expertise in regulatory issues. A report is complete and will be distributed to the committee.

EXTERNAL AUDIT PLAN

Regent Cohen invited Sue Paulson, Assistant Controller, along with Katherine Knudtson and Judi Dockendorf from Deloitte & Touche LLP (Deloitte), to review the external audit plan for FY 2018, as detailed in the docket.

Paulson reminded the committee that the University is in the second year of its current contract with Deloitte to provide external audit services. Knudtson and Dockendorf reviewed highlights of the plan, noting that the scope of services, testing approach, and timelines for the FY 2018 audits are consistent with previous years.

Knudtson referred the committee to a number of resources that are available to the University, at no additional cost, that the committee may be interested in utilizing. In response to a question from Regent Omari, Knudtson called attention to two resources: Deloitte's Audit Committee Brief and Audit Committee Symposium. She noted that the Audit Committee Brief would be especially valuable because it addresses emerging issues at a governance level. Also in response, Klatt noted a new data analytics tool recently released by Deloitte. She agreed to send the committee additional information on those resources.

Regent McMillan reported that Deloitte had issued no comment on recent changes in the University's pension liability. Knudtson confirmed that no comment is a good response.

In response to questions from McMillan, Dockendorf explained that the NCAA agreed-upon procedures are largely prescribed by the NCAA and focus on revenue and expenses, sponsorships, and coach salaries. She reported that there were no findings in the NCAA agreed-upon procedures.

In response to a question from Regent Hsu, Knudtson confirmed that Deloitte does work in cybersecurity, but that the University has not engaged them for those services.

COMPLIANCE INITIATIVES

Regent Cohen invited Boyd Kumher, Chief Compliance Officer, to present an update on compliance initiatives, as detailed in the docket.

Kumher referred the committee to the Chief Compliance Officer's required semi-annual report in the information items in the docket. He provided an overview of OIC's completed risk review summaries and the FY 2019 planned reviews. Kumher summarized the new enhanced procedures for UReport, the University's anonymous reporting service. He also reported the statistics of UReport investigations from the previous six month period.

Regent Omari inquired about the campus safety and Clery Act compliance risk review. Kumher provided an overview of the process and noted that the risk review summary report is included in the information items.

In response to a question from Regent McMillan, Kumher confirmed that 78 percent of UReports investigations from the last six-month period resulted in unsubstantiated findings.

INSTITUTIONAL RISK PROFILE, PART V: MITIGATION PLANS

Regent Cohen invited Karen Hanson, Executive Vice President and Provost, and Brian Burnett, Senior Vice President, to discuss the mitigation plans associated with the institutional risk profile, as detailed in the docket.

Hanson reminded the committee of the process for developing the risk profile and referred committee members to the mitigation plans in the docket. She explained that each of the risks identified in the risk profile has a one-page mitigation plan that includes the risk category, responsible senior leader office, a brief explanation of the risk and mitigation strategies.

Hanson walked through the mitigation plans for shifting enrollment patterns and collaboration with externalities and joint ventures risks. Burnett summarized the plans for employee demographics/succession planning and facilities: maintenance, scope, and alignment risks. Burnett noted that the mitigation plans were shared with credit rating agencies Moody's and Standard & Poor's during recent discussions.

Cohen expressed her satisfaction with the process and results of the exercise. Regent McMillan agreed and added his thanks to the senior leadership team for leading the efforts.

Regents Powell and Lucas commented on the one-page format of the mitigation plans, remarking that the format is clear and easy to read.

Klatt reported that the full Board will discuss the institutional risk profile and mitigation plans at its June meeting, including oversight of the mitigation plans. Cohen remarked on the importance of the Board's continued oversight.

Regent Hsu commented that work remains to be done to address the risks, and questioned whether the institutional risk profile conversa

Year 2017-18

Year 2017-18

Dean Johnson, Peggy Luas, David McMillan, Abdul I Omar, Richard Beeson, Linda Cohen, Kendall Powell, Dafni See Siggm.

Staff present: President Eric Kaler; Chancellors Michelle Behr, Lendley Black, Mary Holz-Clause; Executive Vice President and Provost Karen Hanson; Senior Brian Burnett; Vice Presidents Kathryn Brown, Bernard Gulachek, Matt Kram Levine; General Counsel Douglas Peterson; Executive Director Brian Steeves; Vice Presidents Stuart Mason, Julie Tonneson and Michael Volna.

PRESIDENTS RECOMMENDED FY 2019
ANNUAL OPERATING BUDGET

administrative positions to meet their reallocation targets, 21 units plan to reallocate funds by reducing staff, and 27 units plan to reallocate funds for their general operations.

Regent Beeson noted that he will vote to increase investment, emphasizing that the University should be making bold investments to expand its position within the market. He warned the committee not to squander the opportunity to expand the University's excellence when other institutions are pulling back.

Regent Rosha asked for clarification of differences across student fees. Tonneson responded that student fees are set by each campus using a student-driven process. She added that depending on the history of a specific campus, the types of items funded by student fees differ. Rosha responded that while it is positive to have students involved in the development of the fee, he is sensitive to students imposing items on other students and increasing the total amount of fees. He noted that student fee increases have a significant impact on those students who fall in the gap between those who qualify for institutional financial support and those who have families that can provide significant financial support.

Rosha referenced Beeson's comments and responded that he does not view the University as being passive in the market. He encouraged the University to be a national leader not only in research and learning, but also in retaining the trust of the public and controlling the cost of higher education. He stated that while deans may be working to cut positions in the manner described by Anderson, he has ye

coming from other Midwestern states with law schools that rank lower than the University's are choosing the Law School because of its higher rank, even though tuition is also higher in comparison.

Rosha explained that notable faculty might not be as significant a draw for potential students and that keeping class size small limits the pote

Replacement (HEAPR) funding, giving examples of projects included in the 2018 state capital request. He noted the repair and replacement pools included in the capital budget.

Burnett highlighted potential additions to the capital budget. He reported on how it would be funded, commenting that the HEAPR portion would be fully funded by the state. He broke down the \$38 million in University debt that would be issued.

Anderson recessed the meeting at 3:46 p.m.

BOARD OF REGENTS POLICY: ENDOWMENT FUND

Regent Anderson reconvened the meeting at 3:57 p.m. and invited Associate Vice President Mason to present for action proposed amendments to Board of Regents Policy: **Endowment Fund**, as detailed in the docket.

Mason reminded the committee of the proposed changes, noting that no changes to the proposed amendments have been made since the committee reviewed them in February.

A motion was made and seconded, and the committee voted unanimously to recommend adoption of proposed amendments to Board of Regents Policy: **Endowment Fund**.

REAL ESTATE TRANSACTIONS

A. Sale of 2642 University Avenue, St Paul, Minnesota

Associate Vice President Volna and Leslie Krueger, Assistant Vice President for Planning, Space, and Real Estate, summarized the building location and outlined terms of the sale of 2642 University Avenue, as detailed in the docket. Volna explained that the building has been vacant and will require about \$6.4 million to renovate. Given the building's price and location, he recommended the sale.

Regent Omari sought information on the accounts that receive revenue from the sale of real estate. Volna responded that unless there is a specific provision, revenue from real estate sales goes into a real estate account for the campus. He explained that the money is used for real estate purchases. Senior Vice President Burnett added that the revenue from this sale will cover the expense of maintaining the building during the vacancy and will net a profit of about \$1 million.

Regent Hsu stated his hesitation to sell any land close to the Twin Cities campus.

Regent Beeson commented that he had looked at the building as a part of his job responsibilities with Sunrise Banks and found the parcel overpriced and lacking sufficient parking. He indicated he supported the sale given the price the University was able to secure, the cost of renovation, and the length of time the property has been on the market.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the sale of 2642 University Avenue, St. Paul, Minnesota.

B. Sale of 0.19 acres of isolated property located in the northwest corner of the University of Minnesota Morris

Volna summarized the property location and outlined terms of the sale of 0.19 acres of isolated property located in the northwest corner of the University of Minnesota Morris, as detailed in

the docket. Volna described the location of the land as being cut off from the rest of campus by a road, limiting any future use and creating issues for land care and snow removal.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the sale of 0.19 acres of property located in the northwest corner of the University of Minnesota Morris.

C. Lease of 9,383 rentable square feet of collaborative classroom and laboratory space located within the Destination Medical Center, Rochester, Minnesota

Volna summarized the property location and outlined terms of the lease of 9,383 rentable square feet of collaborative classroom and laboratory space located within the Destination Medical Center, Rochester, Minnesota, as detailed in the docket. Volna acknowledged how expensive the lease is, but offered that the University worked hard to bring the cost down. He added that UMR feels the lease is affordable and the cost will be paid through the Rochester sales tax recovery fund and other funds.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the lease of 9,383 rentable square feet of collaborative classroom and laboratory space located within the Destination Medical Center, Rochester, Minnesota.

REAL ESTATE TRANSACTIONS

Regent Anderson invited Associate Vice President Volna and Leslie Krueger, Assistant Vice President for Planning, Space, and Real Estate, to review the following real estate transactions as detailed in the docket:

- A. Amendment to University Lease, 111 South Broadway, Rochester, MN (Rochester Campus)
- B. Relocation of Sand Plain Research Farm and New 30 Year Lease, Becker, MN
- C. Sale of 435.546 acres at UMore Park for residential, commercial, and mixed-use development, Dakota County, MN

Volna outlined the terms and locations of each of the real estate transactions. He stated that the Sand Plain Research Farm is not yet finalized, but will be when it returns for action.

Regent Johnson asked how the College of Food, Agricultural and Natural Resource Sciences (CFANS) turkey research facility will be affected by the sale of UMore Park land. Volna explained that the turkey research facility is located just southwest of the land for sale. He reported that the terms of the agreement require the University to move the facility within five years of the sale. Brian Buhr, Dean, CFANS, noted that relocation planning has been happening for two years. He compared this facility to the facility in Willmar, observing that this one is focused on live turkeys for production research.

Regent Sviggum inquired about additional offers for UMore Park land. Volna responded that the University received a significant amount of interest but only one other formal offer. He commented that there are few developers with enough capital to undertake a project of this size.

In response to a question from Regent Hsu, Volna stated that Xcel Energy is not willing to sell the University the proposed sand plain research farm land.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the resolution related to the Proposed Labor Agreement with District Council No. 1 of the Graphic Communications Conference of the International Brotherhood of Teamsters, Local 1-B.

CONSENT REPORT

Senior Vice President Burnett presented the revised Consent Report, as detailed in the docket:

General Contingency

- x There were no items requiring approval this period.

Purchases of Goods and Services \$1,000,000 and Over

- x To Charles River Laboratories, Inc., Taconic Biosciences, Inc., Envigo RMS, Inc., and The Jackson Laboratory for an estimated \$16,000,000 for bulk research animal orders for Research Animal Resources for the period of July 1, 2018 through June 30, 2023. The bulk animal orders will be purchased with centralized departmental funds currently available for these purchases. Suppliers were selected through a competitive process.
- x To Lemer Pax for an estimated \$1,919,720 for fabrication of the low-background shield for the SuperCDMS experiment for the School of Physics and Astronomy. Funding for the SuperCDMS project is provided by the subcontract from SLAC National Lab. See documentation in the docket for basis of supplier selection.
- x To Walman Optical for \$1,000,000 for optical lenses, contact lenses and eyeglass frames for Boynton Health Eye Clinic for the period of June 1, 2018 through May 31, 2023. The items included in the contract will be ordered through Boynton but the cost of the items will be the responsibility of the patient. Supplier was selected through a competitive process.

Contact for Commercial Paper Dealer

- x To Bank of America Merrill Lynch and J.P. Morgan Securities to serve as commercial paper (CP) dealers for the sale and remarketing of CP Notes under the University's revolving \$400 million CP Facility for fiscal 2018 through fiscal 2024. The vendors were chosen through a competitive bidding process.

Amendments to Civil Service Rules

Employment Agreements

- x Amendment to employment agreement – Head Men's Basketball Coach, Twin Cities Campus
- x Employment Agreement – Head Men's Hockey Coach, Twin Cities Campus
- x Employment Agreement – Head Women's Basketball Coach, Twin Cities Campus
- x Amendment to employment agreement – Head Women's Basketball Coach, Twin Cities Campus

Schematic Designs

- x Field House Exterior Envelope and Flooring (Twin Cities Campus)

- x Plant Growth Research Facility (Twin Cities Campus)

General Counsel Peterson explained the amendment to the employment agreement for the Head Women's Basketball Coach, Twin Cities, campus that was added to the consent report.

In response to a question from Regent Johnson, Mark Coyle, Director of Intercollegiate Athletics, Twin Cities campus, explained that the proposed employment agreement for Lindsay Whalen placed her in the bottom quarter of the Big Ten for head women's basketball coaches.

Regent Omari asked if the amendment to Richard Pitino's contract was comparable to the recently approved PJ Fleck amendment. Coyle indicated that they were similar and added the ability to use fundraised resources for private jet travel.

In response to a question from Regent Hsu, Coyle noted that travel hours vary and Pitino may come close or possibly exceed the 40 hours of private jet flight time.

Anderson expressed his support for the Whalen employment agreement, reporting that he has heard very positive feedback on her hire.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the revised Consent Report.

INFORMATION ITEMS

Senior Vice President Burnett referred the committee to the information items in the docket:

- x Annual Investment Performance: Peer Comparisons
- x Investment Advisory Committee Update
- x Overview of St. Paul Strategic Facilities Plan
- x Quarterly Asset Management Report
- x Semi-Annual Management Report - Unaudited

Regent Rosha asked that the St. Paul strategic facilities plan not advance without input from the Board and the systemwide strategic plan. Burnett assured Rosha that the planning process is only beginning and that additional Board input will be sought. Regent McMillan expressed that he shares Rosha's concern and that there will be an opportunity in the future for the Board to engage on this topic. President Kaler added his assurance that starting the process now allows the planning to be informed by the systemwide strategic plan and to move forward quickly after that plan is completed.

The meeting adjourned at 4:52 p.m.

BRIAN R. STEEVES
Executive Director

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Board of Regents
May 11, 2018

A meeting of the Board of Regents of the University of Minnesota was held on Friday, May 11, 2018 at 9:00 a.m. in the Boardroom, 600 McNamara Alumni Center.

Regents present: David McMillan, presiding; Thomas Anderson, Richard Beeson, Linda Cohen, Michael Hsu, Dean Johnson, Peggy Lucas, Abdul Omari, Kendall Powell, Darren Roshia, Randy Simonson, and Steve Sviggum.

Staff present: President Eric Kaler; Chancellors Lendley Black, Lori Carrell, and Mary Holz-Clause; Executive Vice President and Provost Karen Hanson; Senior Vice President Brian Burnett; Vice Presidents Michael Berthelsen, Kathryn Brown, Bernard Gulachek, Matt Kramer, and welcomed him to the Board.

RECOGNITIONS

DISTINGUISHED MCKNIGHT UNIVERSITY PROFESSORS

The Distinguished McKnight University Professorship award honors and rewards the highest-achieving faculty at the University who recently attained full professor status. The 2018 recipients are:

- x David A. Chang, History, College of Liberal Arts, Twin Cities
- x Martin Greven, Physics & Astronomy, College of Science & Engineering, Twin Cities
- x Satish Kumar, Chemical Engineering and Materials Science, College of Science & Engineering, Twin Cities
- x Glenn I. Roisman, Child Development, College of Education & Human Development, Twin Cities
- x Michael Travisano, Ecology, Evolution & Behavior, College of Biological Sciences, Twin Cities
- x Natalia Tretyakova, Medicinal Chemistry, College of Pharmacy, Twin Cities

MCKNIGHT LAND-GRANT PROFESSORS

The McKnight-Land Grant Professorship honors assistant professors in the beginning stage of their professional careers who have the potential to make significant contributions to their departments and to their scholarly fields. The 2018-20 recipients are:

- x Mehmet Akçakaya, Electrical & Computer Engineering, College of Science & Engineering, Twin Cities
- x Elaine Auyoung, English, College of Liberal Arts, Twin Cities

x

the Environment, Forest Resources, College of Food, Agricultural, and Natural Resource
Sciences, Twin Cities

Matt Anderson, Mikey Anderson, Koby Bender, Dylan Samberg, Riley Tufte, Nick Wolff,
Will Champion, Jarod Hilderman, Joey Anderson, Jade Miller, Scott Perunovich, Kobe
Roth – Scott Sandelin, Coach

x Sarah Bacon, Diving, Twin Cities – Kelly Kremer, Coach and Wenbo Chen, Coach

x Kaitlyn Long, Track and Field, Twin Cities – Matt Bingle, Coach

APPROVAL OF MINUTES

SYSTEMWIDE STRATEGIC PLAN: MEDICINE & HEALTH

the University can contribute more to the national public policy debate. Tolar responded by stating his belief that the University has the opportunity to play a role in that debate.

M HEALTH

Regent McMillan invited Interim Vice President for Health Sciences Tolar to present for action the resolution related to the Extension of Master Integrated Structure Agreement, as detailed in the docket.

President Kaler outlined the purpose of the resolution, explaining it will extend the deadline to the end of June to finalize negotiations.

Regent Hsu expressed support for the extension as long as this is the last one. He asked if 30 days is enough time. Kaler responded that 30 days is enough, and that there are no plans to request additional extensions.

Hsu clarified that the extension is to complete the letter of intent, and asked when the definitive agreement will be completed. Senior Vice President Burnett responded that the documents will be completed by September 1, 2018. He added that Fairview's board plans to vote on the letter of intent on June 14, 2018. McMillan noted that the Board of Regents will schedule a special meeting to follow the Fairview meeting.

Hsu asked about potential delays. General Counsel Peterson stressed that he could not speak to that issue given confidentiality agreements, but noted he is optimistic about the June 30 deadline.

Regent Rosha shared his concern about disputes between some of the entities in the partnership. He encouraged Tolar to build flexibility into the agreement to ensure that the partnership will be able to adapt in the future. He expressed his support for the resolution. McMillan noted that other Regents have voiced similar concerns.

Kaler explained that the aspirations of the Board and the negotiating team are closely aligned. He emphasized the importance of securing a strong clinical partner.

Regent Omari proposed adding a September 1 deadline to the resolution for execution of the definitive agreement. Peterson recommended a September 30 deadline instead.

McMillan and Regent Beeson spoke against adding a September deadline. Omari agreed.

A motion was made and seconded, and the Board voted unanimously to approve the resolution, as follows:

WHEREAS, on May 12, 2017 the Board of Regents ("Board") adopted the Resolution Related to Non-Renewal of the Master Integrated Structure Agreement whereby the Board authorized and directed University of Minnesota ("University") administration to serve a notice of non-renewal pursuant to the terms of that certain Master Integrated Structure Agreement ("MISA") between the University, University of Minnesota Physicians ("UMPhysicians"), and Fairview Health Services ("Fairview") effective June 1, 2013, for the "M Health" relationship, with the hope and expectation that a renegotiated agreement would be put in place among the parties; and

WHEREAS, on May 24, 2017, the President of the University carried out the Board's direction by providing the University's unilateral notice of non-renewal of the MISA, such that the MISA and related M Health agreements will end May 31, 2018; and

WHEREAS, on May 25, 2017 Fairview provided its own unilateral notice of non-renewal of the MISA, also, but separately, electing to have the MISA and related M Health agreements end May 31, 2018; and

WHEREAS, the University, UMPHysicians and Fairview have been engaged in regular meetings and are preparing terms of a letter of intent for a renewed and improved relationship

REPORT OF THE FINANCE & OPERATIONS COMMITTEE

Regent Anderson, chair of the committee, reported that the committee voted unanimously to recommend:

- 1) Adoption of proposed amendments to Board of Regents Policy: Endowment Fund . A motion was made and seconded, and the Board voted unanimously to adopt the proposed amendments to the policy, as follows:

SECTION I. SCOPE.

This policy governs the management of investment assets in the University of Minnesota (University) endowment fund (endowment).

SECTION II. INVESTMENT OBJECTIVES.

The investment objectives for the University endowment shall be, over the long term, to:

- (a) preserve the inflation adjusted value of the endowment;
- (b) generate investment returns that meet or exceed the annual payout rate plus direct expenses incurred by the investment program after adjusting for inflation as measured by the Consumer Price Index;
- (c) execute the investment program within acceptable risk parameters; and
- (d) provide stable distributions for annual spending purposes.

SECTION III. COMPREHENSIVE PROGRAM REVIEW.

Annually, the president or delegate shall present to the Board of Regents (Board) a comprehensive review of the investment program including a summary of the results of investment strategies employed during the previous year to achieve the investment objectives.

SECTION IV. ASSET ALLOCATION GUIDELINES.

Consistent with Board of Regents Policy: Reservation and Delegation of Authority , the Board reserves to itself authority to approve asset allocation ranges. Those ranges shall be:

- x The long-term allocation for Stability assets shall be 5-15 percent and include Liquid Reserves (5-15 percent) and High Quality Credit (0-6 percent).
- x The long-term allocation for Diversifier assets shall be 20-40 percent and include Enhanced Stability assets (5-20 percent), Idiosyncratic assets (0-15 percent), and Growth Diversifiers (5-20 percent).
- x The long-term allocation for Growth assets shall be 50-70 percent and include Equity (45-70 percent) and Extended Credit (0-10 percent). Within Growth assets, the Equity allocation shall have long-term geographic target exposures of United States markets (45 percent), Developed Markets (30 percent), and Emerging Markets (25 percent).

SECTION V. REPORTING.

The president or delegate shall make the following reports to the Board at the specified times or frequencies:

- (a) a quarterly report regarding the investment program to the Board at the specified times or frequencies.

- (4) a summary of portfolio risk;
 - (5) deviations from asset allocation ranges, if any; and
 - (6) new managers, manager terminations, and any significant changes in investment strategy or allocation.
- (b) an annual report containing the following information:
- (1) a comparison of relative performance and asset allocation to peer institutions;
 - (2) steps taken to provide opportunities to emerging, minority-owned, and woman-owned investment management firms; and
 - (3) a description of current investments related to sustainability and renewable energy.
- (c) at the next regularly scheduled meeting of the Board a report containing the following information:
- (1) any significant change in investment strategy and any internal or external event that has materially affected the performance of the fund; and
 - (2) any other information requested by the Board.

SECTION VI. INVESTMENT MANAGEMENT GUIDELINES.

Subd. 1. Use of Investment Managers. Except as provided in Subds. 3 and/or 4 of this section, endowment funds shall be invested only through investment managers. The president or delegate shall choose investment managers with demonstrated expertise and engage them by written agreement to execute transactions in their discretion within stated parameters and in accordance with applicable policy. No investment manager may manage more than 20 percent of the endowment for a period of more than 12 months.

Subd. 2. Liquidity. Illiquid investments shall be defined as those incapable of being converted to cash or cash equivalents within 12 months without material loss of market value. The sum of illiquid investments by net asset value shall not exceed 50 percent of total endowment assets in normal market environments and 75 percent in stressed market environments. Additionally, the sum of (a) the net asset value of illiquid investments, and (b) total unfunded commitments to illiquid investments shall not exceed 75 percent of total endowment assets in normal market environments and 90 percent in stressed market environments.

Subd. 3. Rebalancing. The president or delegate shall monitor market value of endowment assets in comparison to the asset allocation ranges approved by the Board. At least quarterly, the president or delegate shall determine whether rebalancing is appropriate and, if so, act in a timely and cost-effective manner. In order to achieve rebalancing, the following investment instruments may be employed with the use of an investment manager:

- (a) futures contracts, only on a net unleveraged basis;
- (b) options contracts for purposes of hedging or the sale of covered options, provided that aggregate option exposure may not exceed 10 percent of the value of the endowment; and
- (c) investments in exchange-traded funds.

Subd. 4 Permissible Activities and Limitations.

- (a) Economic leverage, defined as the portion of an exposure obtained through the derivatives market that is not fully collateralized by cash, may be utilized subject to the constraint that gross leverage of the total endowment fund shall not exceed 110 percent. Derivative positions utilized in implementing the rebalancing program, as described in Subd. 3(a) of this section, will not be included in the calculation of gross leverage.

- (b) Co-investments are permissible subject to the following constraints: 1) co-investment commitments shall not exceed 3 percent of total endowment assets at time of commitment, and 2) co-investments may only be executed when sponsored by investment managers with whom the endowment has invested.
- (c) No individual investment may be made for the purpose of achieving management control in any company. This provision is not intended to prohibit the use by investment managers of control strategies with respect to portfolio companies.
- (d) A maximum of ten percent of the endowment may be invested in any single fund or account.
- (e) The investment of endowment funds shall comply at all times with the restrictions on investment of amounts comprising the Permanent University Fund that are set forth in Minnesota Statutes Section 11A.24 or its successor.

Subd. 5. Environmental, Social, and Governance Responsibilities. The University shall consider environmental, social, and governance responsibilities in its investment decisions.

SECTION VII. PAYOUT RATE.

The endowment payout rate shall be set at a level that supports University operations while enabling the endowment to grow at an inflation-adjusted rate that will provide for future distributions. Distributions shall be made quarterly. The annual payout rate shall be 4.5 percent of the average of the endowment's trailing month-end market values for the prior 60 months.

Supersedes: Investment Social Concerns Dated September 13, 1991.

2) Approval of the real estate transaction related to the sale of 2642 University Avenue, St. Paul. A motion was made and seconded, and the Board voted unanimously to approve the real estate transaction.

3) Approval of the real estate transaction related to the sale of 0.19 acres located in the northwest corner of the University of Minnesota Morris. A motion was made and seconded. 9(e)--g h(hgb),4.2(a)6.9(n)3.2(d t)4.3(h)3.2(e)5.9(Bo)4.9(ar)4.5(d vot)10.3(e).8(d un)9.2(a)6.9(n)3.2(imo)4.

NOW, THEREFORE, BE IT RESOLVED that that on the recommendation of the President, the Board of Regents approves this labor agreement as outlined in the docket for May 10, 2018.

Regent Omari requested a model that shows where cuts will be made if tuition revenue is reduced. He questioned the use of specific words in the resolution, which he believes mischaracterize the intent. He requested a comparison with other states regarding allocation of funding for higher education and other areas.

McMillan reminded the Board that the \$10 million supplemental budget request to the state, if funded, will be allocated entirely toward reducing tuition.

Regent Sviggum concurred with Rosha that the resolution could send a positive message to the Legislature. He expressed strong support for lowering tuition.

Regent Cohen agreed with Beeson's assertion that receiving information in advance is beneficial, and discouraged the practice of introducing items for review/action at the same time.

Regent Johnson emphasized that while no one wants to increase tuition, it is necessary for the University to pay its faculty and staff competitive salaries. He described the University's difficulty in raising the necessary funds if tuition is frozen. He urged the Board not to adopt the resolution.

Rosha clarified that he does not believe the Board would suggest cutting faculty salaries to compensate for a tuition freeze. He expressed support for the resolution based on the positive message it could send to the Legislature.

Regent Lucas requested a model of what was cut from the budget when the 2% increase was approved.

Regent Sviggum shared his belief that it is possible to make budget cuts without sacrificing educational quality. He raised concern over making a decision without reviewing budget models first.

Regent Simonson voiced his support for the resolution, citing concern over increasing student debt.

McMillan and Regent Powell recommended postponing the resolution until the Board has more data.

Rosha asked the chair's opinion on whether the resolution will have an effect on the Legislature's decision regarding the supplemental budget request. McMillan responded that it does not seem likely to influence the decision.

Hsu discussed the benefits his resolution will have in terms of sending a message to the Legislature. He pointed out that a freeze will impact a very small percentage of the budget.

Hsu called for a roll call vote. Regent Omari cautioned that voting against the resolution could send a message that the Board does not want to freeze tuition, which is not the case. He moved to table the motion. The motion to table was not seconded.

Regent Anderson observed that if the vote is postponed, it will take place too late to have an effect on the decision of the Legislature. McMillan cautioned against using the vote as a signal to the Legislature.

The vote was as follows:

Regent Anderson	No
Regent Beeson	No
Regent Cohen	No
Regent Hsu	Yes
Regent Johnson	No
Regent Lucas	No
Regent McMillan	No
Regent Omari	No
Regent Powell	No
Regent Rosha	Yes
Regent Simonson	Yes
Regent Sviggum	No

Three votes were cast in favor of the motion and nine votes were cast against the motion. The Hsu resolution failed.

The meeting adjourned at 12:18 p.m.

BRIAN R. STEEVES
Executive Director
and Corporate Secretary